

Message Text

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12

ACTION TRSE-00

INFO OCT-01 EA-07 ISO-00 FEA-01 CIAE-00 DODE-00 NSAE-00

NSCE-00 SSO-00 USIE-00 INRE-00 AGR-05 CEA-01 COME-00

EB-07 FRB-03 H-02 INR-07 INT-05 L-03 LAB-04 NSC-05

PA-01 AID-05 CIEP-01 SS-15 STR-04 ITC-01 PRS-01 SP-02

OMB-01 /082 W

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O P 130927Z FEB 76

FM AMEMBASSY MANILA

TO SECSTATE WASHDC IMMEDIATE 2131

INFO AMCONSUL HONG KONG PRIORITY

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E. O. 11652: NA

TAGS: ETRD, RP

SUBJECT: COUNTERVAILING DUTY INVESTIGATION -- CERAMIC WALL TILE

REF: (A) STATE 029118 (B) MANILA 508

1. PROPOSAL REFTEL A IS BEING DISCUSSED BETWEEN EMBASSY AND GOP OFFICIALS AND WITHIN GOP. IT IS ALREADY EVIDENT THAT, WHILE GOP OBVIOUSLY DESIRES A NEGATIVE DETERMINATION, PROPOSAL TO PROMISE NO FUTURE EXPORTS UNDER ACT IS CAUSING CONSIDERABLE HEARTBURN.

2. BOARD OF INVESTMENTS DURING DISCUSSIONS THIS MORNING ADVANCED A PROPOSAL WHICH APPEARS TO OFFER AN ALTERNATIVE SOLUTION. BOI EXPLAINED THAT FIL-HISPANO EXPORTS TO U.S. HAVE BEEN ENGLIGIBLE BECAUSE MARIWASA AND FIL-HISPANO AGREED SOME TIME AGO THAT MARIWASA WOULD CONCENTRATE ON U.S. MARKET WHILE FIL-HISPANO WOULD CONCENTRATE ON AUSTRALIAN MARKET. BOI SUGGESTS THAT TWO COMPANIES MIGHT BE PREVAILED UPON TO CONCLUDE FORMAL AGREEMENT EMBODYING THIS UNDERSTANDING, WITH LIMITED OFFICIAL USE

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FIL-HISPANO COMMITTING ITSELF NOT TO EXPORT TO U.S.IN

EXCHANGE OF MARIWASA COMMITMENT NOT TO EXPORT TO AUSTRALIA. COMPANIES WOULD DEPOSIT THEIR AGREEMENT WITH BOI, THUS BRINGING GOP INTO PICTURE IN TERMS OF COMPLIANCE BUT WITHOUT ENTAILING WRITTEN COMMITMENT BY GOP TO U.S.

3. INASMUCH AS MARIWASA AND FIL-HISPANO ARE ONLY TWO CERAMIC TILE COMPANIES REGISTERED WITH BOI, THIS WOULD NOT CONSTITUTE "PIECEMEAL ACTION BY INDIVIDUAL COMPANIES," WHICH REFTEL A SUGGESTS WOULD BE DIFFICULT FOR TREASURY TO ADMINISTER, BUT ALL-EMBRACING SOLUTION WHICH WOULD ELIMINATE ALL EXPORTS UNDER EITHER OF THE TWO ACTS.

4. IN EVALUATING THIS PROPOSAL EMBASSY HOPES THAT SYMPATHETIC CONSIDERATION CAN BE GIVEN TO GOP SENSITIVITIES. GOP FEELS VERY STRONGLY THAT IN DRAFTING ITS INCENTIVE ACTS IT MADE CONSCIENTIOUS EFFORT TO BRING THEM INTO HARMONY WITH GATT PROVISIONS REGARDING INDUSTRIAL INCENTIVE EFFORTS ACCEPTABLE FOR DEVELOPING COUNTRIES. IT FEELS THAT U.S. ACTION DIRECTED AGAINST A DEVELOPING COUNTRY WHOSE EXPORTS DO NOT CAUSE INJURY IS INCONSISTENT WITH U.S. OBLIGATIONS UNDER GATT. OTHER DEVELOPED COUNTRIES, IT OBSERVES, DO NOT TAKE SUCH ACTION WHEN THERE IS NO INJURY, BOI'S STATISTICS, MOREOVER, SHOW THAT FIL-HISPANO EXPORTS IN 1974 REPRESENTED ONLY TWO PERCENT OF PHILIPPINE TILE EXPORTS TO U.S., AT TOTAL OF ONLY \$38,000, AND ITS EXPORTS IN 1975 CONSISTED OF TWO SHIPMENTS TOTALING \$8743.50. GOP FEELS THAT TO BASE FINDING OF BOUNTIES ON EXPORTS OF SUCH MINISCULE AMOUNT WOULD BE REFLECTION OF AN ADMINISTRATIVE INTENT TO EXTRACT LAST POUND OF FLESH RATHER THAN BEING AN ACTION MANDATED BY TRADE REFORM ACT OR U.S. COURT DECISIONS.

5. GOP ALSO FEELS THAT IF IT WERE TO SUPPLY STATEMENT SUGGESTED REFTEL, IT WOULD BE AN ACKNOWLEDGEMENT OF GUILT, AND GOP POSITION IS THAT BOUNTIES ARE NOT BEING PAID.

6. BECAUSE TIME CONSTRAINT IS SEVERE, AND BOI IS PROCEEDING TO CONTACT COMPANIES, WOULD APPRECIATE LIMITED OFFICIAL USE

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WASHINGTON REACTION TO BOI PROPOSAL ASAP SO THAT WE CAN ADVISE BOI AS TO WHETHER OR NOT TO PURSUE THIS AVENUE. SULLIVAN

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